

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 /124 W

-----093454 240914Z /12

R 240654Z AUG 78

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3057

INFO AMCONSUL HONG KONG

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EPAP

SUBJ: FOOTWEAR AND COLOR TV CONSULTATIONS; MTN TALKS

1. SUMMARY. ON AFTERNOON OF AUG 22, ASSISTANT SPECIAL TRADE REP LANDE HELD DISCUSSIONS WITH PARK PIL SOO, ASSISTANT MINISTER FOR TRADE, MCI, ON PROBLEMS OF THE ORDERLY MARKETING AGREEMENT (OMA) WITH KOREA ON NONRUBBER FOOTWEAR, KOREA'S FAST GROWING EXPORTS OF COLOR TV, AND MTN RELATED TOPICS. WITH RESPECT TO COLOR TV, LANDE INVITED GROK TO SEND A REPRESENTATIVE TO WASHINGTON DURING THE WEEK OF SEPTEMBER 25. END SUMMARY.

2. PARK OPENED DISCUSSION BY EXPLAINING THAT KIM SUN KIL, KOREA'S NEGOTIATOR OF THE OMA ON NONRUBBER FOOTWEAR, HAD TAKEN ON OTHER TRADE RESPONSIBILITIES SO THAT PARK WAS NOW RESPONSIBLE FOR THE FOOTWEAR OMA, A NEW SUBJECT FOR HIM.

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3. LANDE STATED THAT DESPITE THE STARTUP AND PIPELINE PROBLEMS, THE OMA GENERALLY APPEARED TO BE WORKING WELL. NEVERTHELESS, THERE ARE PROBLEMS. HE CITED THE SHARP INCREASE IN IMPORTS FROM HONG KONG AND, WITHOUT GOING INTO GREAT DETAIL, HE MENTIONED THAT WE HAD HELD CONSULTATIONS WITH HONG KONG LAST WEEK AND THAT BOTH USG AND HKG WOULD REVIEW THE MATTER AND HOLD FURTHER DISCUSSIONS IN WASHINGTON SEPT 11-12.

4. LANDE REFERRED TO THE COMMITMENTS ON (A) RUBBER FOOTWEAR AND (B) LEATHER WORK SHOES UNDERTAKEN BY ROKG IN SIDELETTERS TO THE OMA. ON RUBBER FOOTWEAR, IMPORTS HAVE INCREASED SUBSTANTIALLY, HE SAID, CAUSING CONCERN TO DOMESTIC MANUFACTURERS ON EFFECTIVENESS OF THE AGREEMENT. ASCHER (COMMERCE) PRESENTED DATA SHOWING THAT US IMPORTS OF RUBBER FOOTWEAR FROM KOREA (EXCLUDING PROTECTIVE TYPES) INCREASED TO 43.5 MILLION PAIRS IN THE FIRST OMA YEAR FROM 31 MILLION PAIRS IN THE PRIOR 12-MONTH PERIOD. ESPECIALLY SIGNIFICANT WAS THE AMOUNT IMPORTED IN JAN. - JUNE 1978 (31.5 MILLION) MORE THAN IN THE ENTIRE YEAR PRECEDING THE OMA AND MORE THAN DOUBLE THE AMOUNT OF NONRUBBER FOOTWEAR (14.2 MILLION) IMPORTED IN THE SAME 6-MONTH PERIOD. DESPITE THE ROLLBACK ON NONRUBBER FOOTWEAR, IMPORTS FROM KOREA WERE VIRTUALLY UNCHANGED WHEN CONSIDERING COMBINED IMPORTS OF RUBBER AND NONRUBBER FOOTWEAR (86.6 MILLION PAIRS IN THE OMA YEAR VS 86.2 MILLION IN THE 12-MONTHS PRIOR TO THE OMA). PARK SAID ROKG WOULD LOOK INTO THE PROBLEM.

5. ON LEATHER WORK SHOES, LANDE SAID THE US HAD AGREED NOT TO IMPOSE A RIGID, ELABORATE CATEGORY SYSTEM IN THE OMA IN RETURN FOR THE WRITTEN UNDERSTANDING THAT ANY INCREASES IN SHIPMENTS OF LEATHER WORK SHOES WERE TO BE KEPT MODERATE. NOW WE SEE THAT IMPORTS HAVE INCREASED SHARPLY BOTH IN ABSOLUTE TERMS AND AS A PERCENTAGE OF THE K-1 CATEGORY, HE SAID. ASCHER PRESENTED DATA SHOWING A 56 PERCENT INCREASE IN LEATHER WORK SHOES COM-LIMITED OFFICIAL USE

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PARING THE FIRST RESTRAINT YEAR WITH THE PRECEDING 12-MONTH PERIOD (FROM 2.3 MILLION PAIRS TO 3.7 MILLION) AND THAT LEATHER WORK SHOES REPRESENTED 44 PERCENT OF IMPORTS IN THE K-1 CATEGORY AS OPPOSED TO 17 PERCENT THE YEAR BEFORE. HAD THE OMA ROLLBACK BEEN APPLIED PROPORTIONATELY TO LEATHER WORK SHOES, THE LIMIT WOULD HAVE BEEN 2.02 MILLION PAIRS. KIM CHULSU SAID THAT OTHER COUNTRIES' EXPORTS OF LEATHER WORK SHOES TO THE US ALSO WERE RISING AND THAT KOREA'S SHARE OF TOTAL US IMPORTS OF THE PRODUCT WAS NOT INCREASING. HE ALSO SAID THAT HE DID NOT BELIEVE THE US INDUSTRY WAS BEING INJURED BY THESE IMPORTS. ASCHER REPLIED THAT US IMPORTS FROM EAST EUROPEAN COUNTRIES WERE KEEPING PACE WITH KOREA'S INCREASE, THUS ADDING TO THE PROBLEM. HE SAID US MANUFACTURERS FORESAW A POSSIBILITY OF IMPROVED PRODUCTION AND SALES WITH THE OMA IN EFFECT. INSTEAD US PRODUCTION IN JAN. - MAY 1978 (THE LATEST PERIOD FOR WHICH DATA ARE AVAILABLE) DECLINED TO 10.6 MILLION PAIRS FROM 11.2 MILLION PAIRS IN THE SAME PERIOD OF 1977 AND IMPORTS INCREASED FROM 13.7 PERCENT OF THE US MARKET TO 22.2 PERCENT IN THE SAME PERIOD. PARK SAID THAT SOMETHING MAY HAVE TO BE DONE ABOUT THIS. LANDE SAID WE DID NOT EXPECT AN IMMEDIATE ACTION SINCE WE REALIZED THAT WE HAD JUST CONFRONTED ROKG WITH THE PROBLEM.

6. MOVING TO COLOR TELEVISION IMPORTS, LANDE EXPLAINED THAT WE HAVE A PROBLEM IN THE OMA WITH JAPAN SIMILAR TO THE HONG KONG PROBLEM IN FOOTWEAR, THAT IS, IMPORTS FROM NON-OMA COUNTRIES ARE OFFSETTING THE ROLLBACK ON IMPORTS FROM JAPAN. THE LARGEST INCREASE, HE SAID, WAS COMING FROM TAIWAN BUT THAT KOREA ALSO WAS INCREASING RAPIDLY. ASCHER PRESENTED DATA SHOWING THAT JAPAN'S SHARE OF US IMPORTS OF COMPLETE COLOR TV'S DURING THE OMA PERIOD DECLINED FROM 81 PERCENT IN THIRD QUARTER 1977 TO 56 PERCENT IN SECOND QUARTER 1978. OF THE 25 PERCENTAGE POINTS LOST BY JAPAN, TAIWAN GAINED 13 (FROM 12 PERCENT TO 25 PERCENT) AND KOREA GAINED 7 PERCENT (FROM 3 PERCENT TO 10 PERCENT). LANE SAID THE USG HAD NOT YET FIRMLY ESTABLISHED WHAT IT WILL DO WITH RESPECT TO THESE IMPORTS, BUT THAT FURTHER DISCUSSIONS ARE NECESSARY. LANDE SAID HE HAD EXTENDED AN INVITATION TO ROC TO VISIT WASHINGTON FOR DISCUSSIONS DURING THE WEEK OF SEPT 25 AND THAT IT WOULD BE MOST USEFUL IF KOREA ALSO SENT A REP TO WASHINGTON AT THAT TIME. PARK AGREED THAT SUCH TALKS WOULD BE USEFUL AND THAT ROKG WOULD NAME A REPRESENTATIVE TO PARTICIPATE IN DISCUSSIONS.

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7. LANDE RAISED MTN ISSUES. HE SAID WE WERE DISAPPOINTED WITH ROKG PARTICIPATION THUS FAR, BOTH IN THEIR OFFER AND THEIR PARTICIPATION IN THE MTN CODES. WE HAVE AN OFFER ON THE TABLE, HE SAID, WHICH WILL BE DIFFICULT TO MAINTAIN UNLESS WE HAVE AN ACCEPTABLE OFFER FROM KOREA. HE REQUESTED GREATER ROK

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INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /124 W

-----093754 240914Z /11

R 240654Z AUG 78

FM AMEMBASSY SEOUL

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AMEMBASSY TOKYO  
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INVOLVEMENT IN THE CODES AND IN TARIFF OFFERS. THE MAIN DIFFERENCE BETWEEN THE US AND ROK WAS OVER A NEED FOR SECURITY OF MARKET ACCESS, HE SAID. THE US SEES THIS AS ESSENTIAL TO A SUCCESSFUL AGREEMENT, LANDE SAID, AND THAT SUCH A COMMITMENT DOES NOT REMOVE ROK FLEXIBILITY UNDER GATT.

8. LANDE SAID THAT ASCHER WOULD REMAIN IN SEOUL ON THE 23RD FOR TECHNICAL DISCUSSIONS ON FOOTWEAR AND COLOR TV'S AND THAT RUZICKA WOULD ALSO REMAIN TO DISCUSS DETAILS OF MTN RELATED MATTERS.

9. IN SEPARATE TALKS, US (RUZICKA AND GREGORY) HAD BRIEF TECHNICAL DISCUSSIONS ON MTN WITH THE DIRECTOR OF ECONOMIC ORGANIZATIONS, MINISTRY OF FOREIGN AFFAIRS (MOFA), MR KIM, AND HIS DEPUTY, MR PAIK. US AND ROK DETERMINED WHICH OF SEVERAL KOREAN REQUEST LISTS ARE OPERATIVE AND AGREED TO A TECHNICAL EXCHANGE OF INFORMATION REGARDING CONCORDANCE BETWEEN PRODUCTS RECENTLY LIBERALIZED BY ROK AND PRODUCTS ON US REQUESTS LISTS.  
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ROK ALSO AGREED TO SUPPLY THIS TYPE OF CONCORDANCE INFORMATION REGARDING FUTURE LIBERALIZATION AS SOON AS POSSIBLE AFTER PRODUCTS TO BE LIBERALIZED ARE PUBLISHED. US NOTED THAT US INDICATIVE LIST OF INDUSTRIAL PRODUCTS OF EXPORT INTEREST IN KOREA, TABLED IN NOVEMBER 1977 IN GENEVA, WAS SUPERSEDED BY THE MARCH 23, 1978 INDUSTRIAL MARKET ACCESS REQUEST LIST AND SHOULD BE CONSIDERED THE OPERATIVE ONE OF THE TWO LISTS. WHILE KIM AND PAIK INDICATED ROK OFFER WAS CURRENTLY BEING PREPARED BY SEVERAL MINISTRIES, THEY WERE UNABLE TO PROVIDE AN INDICATION OF WHEN THE OFFER WOULD BE COMPLETE. FYI - WITH KIM SUN KIL'S PROMOTION AND THE REORGANIZATION OF MINISTRY OF COMMERCE AND INDUSTRY (MCI), COORDINATION OF MTN EFFORTS HAS APPARENTLY NOW SHIFTED TO THE MINISTRY OF FOREIGN AFFAIRS (MOFA) FROM THE MCI AND THIS, TOGETHER WITH POOR COMMUNICATIONS COULD EXPLAIN SLOWNESS OF ROK OFFER. END FYI. US STRESSED THE IMPORTANCE OF A TIMELY ROK RESPONSE TO US REQUESTS IN ORDER FOR THE US TO MAINTAIN ITS OFFER TO KOREA AND THE FACT THAT THE US NEEDED SECURITY OF MARKET ACCESS FOR ROK CONCESSIONS IN THE MTN IN ORDER FOR THESE TO BE INCLUDED IN ANY FINAL AGREEMENT. IN CONCLUSION US BRIEFLY AND INFORMALLY CHARACTERIZED ITS POSITION REGARDING SELECTIVITY IN THE SAFEGUARDS CODE AND GRADUATION POSSIBILITIES IN A SUBSIDIES CODE. CONCERNING LATTER POINT,

ROK INDICATED THAT THEY DID NOT FAVOR DIFFERENTIATION AMONG LDC'S REGARDING PERMITTED AND PROHIBITED SUBSIDIES. US RESPONDED BY INDICATING THAT WHILE COUNTRY GRADUATION MAY NOT BE APPROPRIATE, SUBSIDIES COULD BE AN AREA WHERE ASSUMPTION OF FULLER TRADING SYSTEM OBLIGATIONS ACCORDING TO SECTOR TO SECTOR OR PRODUCT-LINE COMPETITIVENESS WOULD BE MOST PRODUCTIVE.

10. IN SEPARATE DISCUSSIONS ON AUG 23 WITH KIM CHULSU, ASCHER RAISED THE QUESTION OF RUBBER FOOTWEAR. KIM WAS CONCERNED OVER ANY ROLLBACK THAT MIGHT OCCUR IN RUBBER FOOTWEAR PRODUCTION, PARTICULARLY THE EFFECTS IT WOULD HAVE ON THE MASSIVE ICC PLANT LIMITED OFFICIAL USE

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IN PUSAN, LARGEST IN THE WORLD, EMPLOYING 20,000. HE SAID KOREA HAD RESTRAINED SUCH EXPORTS TO THE US DURING THE PERIOD 1973-76, BUT THAT RESTRAINTS NO LONGER APPLY. THE KOREAN INDUSTRY, HE SAID, WAS TRYING TO COMPENSATE FOR THE ROLLBACK IN NON-RUBBER. ASCHER SAID HE HOPED ROKG COULD FIND A WAY TO MODERATE THE TRADE INASMUCH AS THE INTENT OF THE SIDE LETTER WAS TO AVOID SHIFTS AWAY FROM NONRUBBER AND INTO RUBBER FOOTWEAR BY MAKING CHANGES IN THE MATERIAL CONTENT OF THE SHOES.

11. WITH RESPECT TO LEATER WORK SHOES, KIM SAID HE DID NOT EXPECT FURTHER INCREASES IN SHIPMENTS TO THE US BECAUSE OF HIGHER WAGE AND MATERIAL COSTS. HE SAID KOREA COULD NOT COMPETE ON A PRICE BASIS WITH EAST EUROPEAN SHOE FACTORIES, ESPECIALLY IN ROMANIA WHERE MANY FACTORIES WERE REBUILT FOLLOWING THE EARTHQUAKE. HE SAID SOMETHING MAY HAVE TO BE DONE ABOUT LEATHER WORK SHOES TO HONOR THE COMMITMENT, BUT SAID ROKG CAN'T REDUCE THE EXPORT LEVEL. HE ASKED WHAT THE USG MIGHT CONSIDER A TOLERABLE LEVEL. ASCHER REPLIED THAT THE INDUSTRY PROBABLY WOULD LIKE TO SEE A LIMIT OF 2.02 MILLION PAIRS WHICH REPRESENTS THE LEVEL THAT WOULD HAVE OCCURRED IF THE OMA ROLLBACK WERE APPLIED PROPORTIONATELY TO LEATER WORK SHOES. ASCHER SAID HE WOULD CHECK INTO THIS FURTHER UPON HIS RETURN TO WASHINGTON.

12. OTHER FOOTWEAR MATTERS DISCUSSED WITH KIM CHULSU INCLUDED (1) 90-DAY CUTOFF PERIOD FOR FIRST RESTRAINT YEAR; (2) POSSIBILITY OF SHORTFALL CARRYOVER; (3) HOME COVERS AND SYNTHETIC BOOT LINERS; AND (4) EXCHANGE OF TRADE DATA. ASCHER WILL BRIEF INTERESTED WASHINGTON AGENCIES ON DETAILS UPON HIS RETURN.

13. KIM CHULSU SAID THERE WAS NO ONE AVAILABLE IN MCI TO DISCUSS COLOR TELEVISION (WHICH IS OUTSIDE HIS JURISDICTION), BUT THAT ROKG WOULD SEND INFORMED REPRESENTATIVES TO THE SEPTEMBER MEETING IN WASHINGTON. ASCHER VISITED BRIEFLY WITH PRESIDENT LEE OF THE FINE INSTRUMENTS CENTER IMMEDIATELY PRIOR TO DEPARTURE TO DISCUSS PROSPECTS FOR KOREA'S COLOR LIMITED OFFICIAL USE

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TV EXPORTS.  
GLEYSTEN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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